

CORNING COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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CORNING COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September, 2004 Election)		
Nancy Turner	President	2004
Gary Goldsmith	Board Member	2006
Ralph Morales	Board Member	2006
Anna Leonard	Board Member	2005
Andy Rubenking	Board Member	2005
Board of Education		
(After September, 2004 Election)		
Nancy Turner	President	2007
Lori Harvey	Board Member	2007
Gary Goldsmith	Board Member	2006
Ralph Morales	Board Member	2006
Anna Leonard	Board Member	2005
School Officials		
Mike Wells	Superintendent	2005
Jodi Lyddon	District Secretary/Treasurer	2005
Rick Engel	Attorney	Indefinite



Independent Auditor's Report

To the Board of Education
Corning Community School District
Corning, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District and its aggregate discretely presented component units as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Governmental Auditing Standards, we have also issued our report dated September 7, 2005, on our consideration of the Corning Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 13 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Van Maanen & Associates, P.C.

Van Maanen & Associates, P.C.
Certified Public Accountants

September 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues increased from \$4,483,288 in fiscal 2004 to \$4,493,640 in fiscal 2005, while General Fund expenditures increased from \$4,133,530 in fiscal 2004 to \$4,147,824 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$1,167,004 in fiscal 2004 to \$1,518,670 in fiscal 2005, a 30 percent increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in federal and state grant revenue in 2005. The increase in expenditures was due primarily to the increase in the negotiated salary and benefits.
- Overall, the District increased in net assets in the governmental activities of \$822,000, and decreased in the business type activities of \$6,000, respectively.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

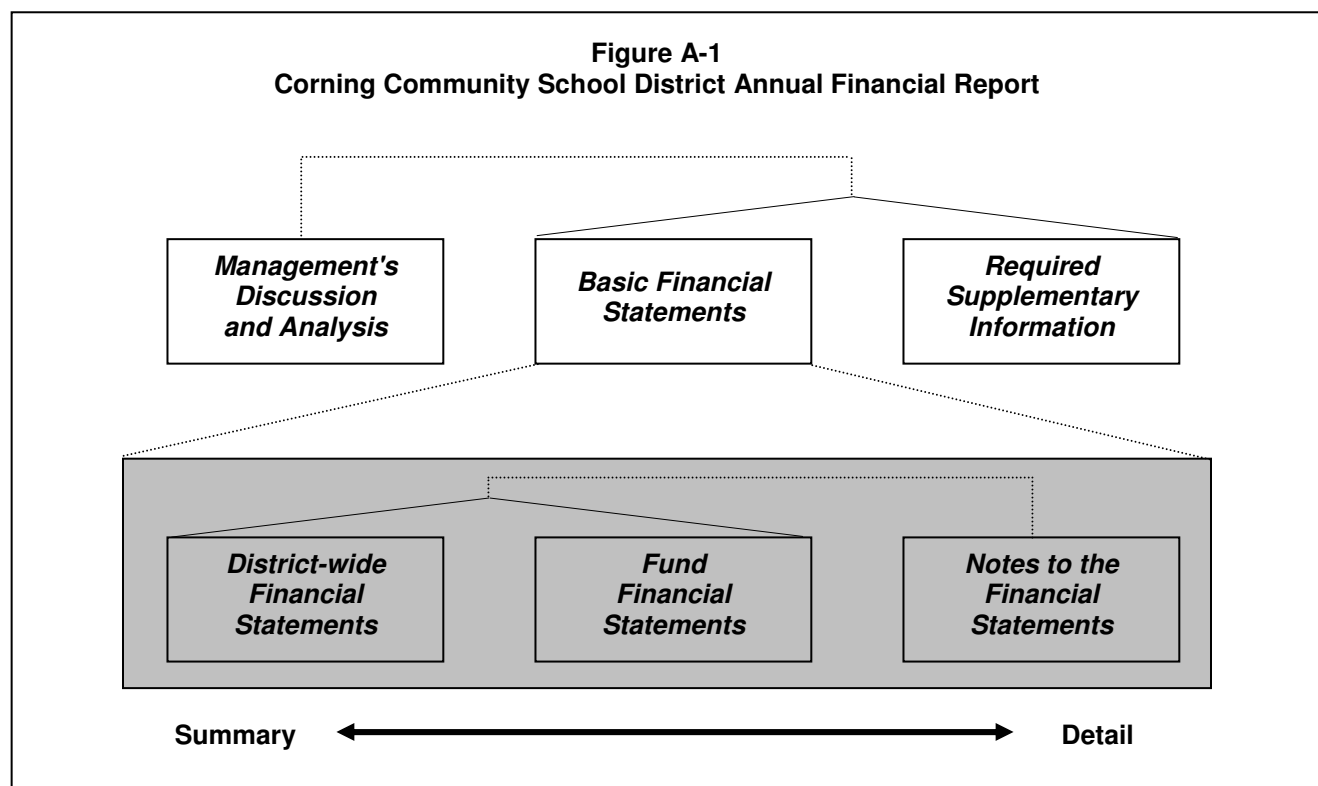


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2003-2004
Current and other assets	\$ 4,583	3,986	\$ 41	63	\$ 4,624	4,049	14.2%
Capital assets	3,230	3,039	50	34	3,280	3,073	6.7%
Total assets	7,813	7,025	91	97	7,904	7,122	11.0%
Long-term liabilities	1,237	1,509	-	-	1,237	1,509	-18.0%
Other liabilities	2,594	2,355	-	-	2,594	2,355	10.1%
Total liabilities	3,831	3,864	-	-	3,831	3,864	-0.9%
Net assets:							
Invested in capital assets, net of related debt	2,496	2,052	50	34	2,546	2,086	22.1%
Restricted	140	234	-	-	140	234	-40.2%
Unrestricted	1,346	875	41	63	1,387	938	47.9%
Total net assets	\$ 3,982	3,161	\$ 91	97	\$ 4,073	3,258	25.0%

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service	\$ 469	405	78	87	547	492
Operating grants, contributions and restricted interest	593	721	102	107	695	828
Capital grants, contributions and restricted interest	-	-	-	-	-	-
General revenues:						
Property tax	1,903	1,813	-	-	1,903	1,813
Local option sales and service tax	193	152	-	-	193	152
Unrestricted state grants	2,147	2,171	-	-	2,147	2,171
Unrestricted investment earnings	31	9	-	-	31	9
Other	32	4	-	-	32	4
Total revenues	<u>5,368</u>	<u>5,275</u>	<u>180</u>	<u>194</u>	<u>5,548</u>	<u>5,469</u>
Program expenses:						
Governmental activities:						
Instruction	2,891	3,292	-	-	2,891	3,292
Support services	1,416	1,313	-	-	1,416	1,313
Non-instructional programs	7	12	186	183	193	195
Other expenses	233	340	-	-	233	340
Total expenses	<u>4,547</u>	<u>4,957</u>	<u>186</u>	<u>183</u>	<u>4,733</u>	<u>5,140</u>
Change in net assets	<u>\$ 821</u>	<u>318</u>	<u>(6)</u>	<u>11</u>	<u>815</u>	<u>329</u>

Property tax and unrestricted state grants account for 73 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90 percent of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,368,000 and expenses were \$4,547,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,891	2,004
Support services	1,416	1,416
Non-instructional programs	7	7
Other expenses	233	58
Totals	<u>\$ 4,547</u>	<u>3,485</u>

- The cost financed by users of the District's programs was \$469,000.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$593,000.
- The net cost of governmental activities was financed with \$1,903,000 in property tax, 193,000 in local option sales and service tax, \$2,147,000 in state foundation aid, \$31,000 in interest income, and \$1,000 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$180,000 and expenses were \$186,000. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,908,202, above last year's ending fund balances of \$1,542,885. The primary reason for the increase in combined fund balances in fiscal 2005 was due to the reduction in expenses.

Governmental Fund Highlights

- The General Fund balance increased from \$1,167,004 to \$1,518,670. The District's growing General Fund financial position is the product of many factors. An increase during the year in local sources and federal grants resulted in an increase in revenues. The District decreased in General Fund expenditures due to the reduction in staff.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$146,680 in fiscal 2004 to \$44,671 in fiscal 2005.
- The Capital Projects Fund balance increased from \$152,405 in fiscal 2004 to \$240,808 in fiscal 2005.
- The Management Fund balance increased from (\$20,158) in fiscal year 2004 to \$4,526 in fiscal 2005.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$97,134 in fiscal 2004 to \$91,569 in fiscal 2005, representing a decrease of approximately 6 percent.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 44-45.

Legal Budgetary Highlights

The District's total actual receipts were (\$259,625) less than the total budgeted receipts, a variance of (4%). The most significant change resulted from the District not receiving the Safe School Grant and Homeland Security Grant.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005, the District had invested \$3,280,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year exceeded \$197,000.

The original cost of the District's capital assets was \$6,635,447. Governmental funds account for \$6,527,315 with the remainder of \$108,132 in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 205	153	\$ -	-	\$ 205	153	34.0%
Construction in progress	-	-	-	-	-	-	
Buildings	2,424	2,497	-	-	2,424	2,497	-2.9%
Improvements other than buildings	221	60	-	-	221	60	268.3%
Furniture and equipment	380	329	50	34	430	363	18.5%
Totals	<u>\$ 3,230</u>	<u>3,039</u>	<u>\$ 50</u>	<u>34</u>	<u>\$ 3,280</u>	<u>3,073</u>	<u>6.7%</u>

Long-Term Debt

At June 30, 2005, the District had \$975,000, in general obligation bonds and \$262,000 for an early-retirement plan. This represents a decrease of approximately 18 percent from last year. More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	<u>Total</u> <u>District</u> <u>June 30,</u> <u>2005 2004</u>		<u>Total</u> <u>Change</u> <u>June 30,</u> <u>2004-2005</u>
General obligation bonds	\$ 975	1,140	-14.5%
Early retirement	262	369	-29.0%
Totals	<u>\$ 1,237</u>	<u>1,509</u>	<u>-18.0%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. The District will negotiate new agreements during fiscal 2006. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education.
- Increased health insurance cost has and will continue to impact the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

Basic Financial Statements

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 2,472,664	39,075	2,511,739	61,534
Receivables:				
Property tax:				
Delinquent	31,563	-	31,563	-
Succeeding year	1,914,973	-	1,914,973	-
Accounts	1,006	-	1,006	-
Accrued interest	4,769	-	4,769	-
Due from other governments	120,001	-	120,001	-
Inventories	-	2,026	2,026	-
Prepaid expense	37,794	-	37,794	-
Capital assets, net of accumulated depreciation (note 3)	3,230,104	50,468	3,280,572	-
Total assets	7,812,874	91,569	7,904,443	61,534
Liabilities				
Excess of warrants over bank balance	268,736	-	268,736	-
Accounts payable	43,741	-	43,741	-
Salaries and benefits payable	358,291	-	358,291	-
Accrued interest payable	8,580	-	8,580	-
Deferred revenue:				
Succeeding year property tax	1,914,973	-	1,914,973	-
Long-term liabilities (note 4):				
Portion due within one year:				
Bonds payable	175,000	-	175,000	-
Early retirement	88,827	-	88,827	-
Portion due after one year:				
Bonds payable	800,000	-	800,000	-
Early retirement	172,755	-	172,755	-
Total liabilities	3,830,903	-	3,830,903	-
Net assets				
Invested in capital assets, net of related debt	2,495,912	50,468	2,546,380	-
Restricted for:				
Management levy	4,526	-	4,526	-
Debt service	23,769	-	23,769	-
Physical plant and equipment levy	44,671	-	44,671	-
Other special revenue purposes	67,178	-	67,178	-
Unrestricted	1,345,915	41,101	1,387,016	61,534
Total net assets	\$ 3,981,971	91,569	4,073,540	61,534

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,487,907	204,803	228,476	-
Special instruction	648,250	63,254	179,798	-
Other instruction	754,756	200,872	9,485	-
	2,890,913	468,929	417,759	-
Support Service:				
Student services	141,928	-	-	-
Instructional staff services	128,014	-	-	-
Administration services	521,963	-	-	-
Operating and maintenance of plant services	346,208	-	-	-
Transportation services	277,940	-	-	-
	1,416,053	-	-	-
Non-instructional programs	6,947	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	-
Long-term debt interest	58,158	-	-	-
AEA flowthrough	175,232	-	175,232	-
	233,390	-	175,232	-
Total governmental activities	4,547,303	468,929	592,991	-
Business type activities:				
Non-instructional programs:				
Nutrition services	185,985	78,263	102,104	-
	185,985	78,263	102,104	-
Total primary government	\$ 4,733,288	547,192	695,095	-
Component Units:				
Program expense	\$ 17,374	-	7,538	-
Management and general expense	5,146	-	-	-
Fund raising expense	12,966	-	31,406	-
Total component units	\$ 35,486	-	38,944	-

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business type Activities	Total	Component Units
(1,054,628)	-	(1,054,628)	-
(405,198)	-	(405,198)	-
(544,399)	-	(544,399)	-
(2,004,225)	-	(2,004,225)	-
(141,928)	-	(141,928)	-
(128,014)	-	(128,014)	-
(521,963)	-	(521,963)	-
(346,208)	-	(346,208)	-
(277,940)	-	(277,940)	-
(1,416,053)	-	(1,416,053)	-
(6,947)	-	(6,947)	-
-	-	-	-
(58,158)	-	(58,158)	-
-	-	-	-
(58,158)	-	(58,158)	-
(3,485,383)	-	(3,485,383)	-
-	(5,618)	(5,618)	-
-	(5,618)	(5,618)	-
(3,485,383)	(5,618)	(3,491,001)	-
-	-	-	(9,836)
-	-	-	(5,146)
-	-	-	18,440
-	-	-	3,458

Exhibit B

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Totals continued from previous pages	\$ 4,733,288	547,192	695,095	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gifts to Corning Community School District				
Gain on sale of assets				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated (note 9)				
Net assets end of year				
See notes to financial statements.				

Exhibit B

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
Governmental Activities	Business type Activities	Total	Component Units
(3,485,383)	(5,618)	(3,491,001)	3,458
1,659,916	-	1,659,916	-
115,835	-	115,835	-
127,384	-	127,384	-
193,160	-	193,160	-
2,147,271	-	2,147,271	-
31,181	53	31,234	414
1,473	-	1,473	-
24,980	-	24,980	-
5,850	-	5,850	-
4,307,050	53	4,307,103	414
821,667	(5,565)	816,102	3,872
3,160,304	97,134	3,257,438	57,662
\$ 3,981,971	91,569	4,073,540	61,534

CORNING COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	General	Management	Debt Service
Assets and Other Debits			
Cash and pooled investments	\$ 1,786,669	106,870	37,615
Receivables:			
Property tax:			
Current year delinquent	24,223	3,315	1,913
Succeeding year	1,518,237	250,000	18,706
Accounts	1,006	-	-
Accrued interest	4,044	125	59
Due from other governments	103,800	-	-
Prepaid expense	-	37,794	-
Total assets and other debits	\$ 3,437,979	398,104	58,293
Liabilities and Fund Balances			
Liabilities:			
Excess of outstanding warrants over bank balance	\$ -	54,751	7,238
Accounts payable	42,781	-	-
Salaries and benefits payable	358,291	-	-
Early retirement payable (note 4)	-	88,827	-
Deferred revenue:			
Succeeding year property tax	1,518,237	250,000	18,706
Total liabilities	<u>1,919,309</u>	<u>393,578</u>	<u>25,944</u>
Fund balances:			
Reserved for:			
Debt service	-	-	32,349
Unreserved:			
Designated for special purposes by the Board	300,000	-	-
Undesignated	1,218,670	4,526	-
Total fund balances	<u>1,518,670</u>	<u>4,526</u>	<u>32,349</u>
Total liabilities and fund balances	\$ 3,437,979	398,104	58,293

See notes to financial statements.

Exhibit C

Capital Projects	Nonmajor Special Revenue	Total
329,028	212,482	2,472,664
-	2,112	31,563
-	128,030	1,914,973
-	-	1,006
443	98	4,769
16,201	-	120,001
-	-	37,794
345,672	342,722	4,582,770
104,864	101,883	268,736
-	960	43,741
-	-	358,291
-	-	88,827
-	128,030	1,914,973
104,864	230,873	2,674,568
-	-	32,349
-	-	300,000
240,808	111,849	1,575,853
240,808	111,849	1,908,202
345,672	342,722	4,582,770

CORNING COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balances of governmental funds (Exhibit C) \$ 1,908,202

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

3,230,104

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(8,580)

Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(1,147,755)

Net assets of governmental activities (Exhibit A)

\$ 3,981,971

See notes to financial statements.

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CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Management	Debt Service
Revenues:			
Local sources:			
Local tax	\$ 1,460,118	199,798	115,835
Tuition	260,314	-	-
Other	31,792	1,406	754
State sources	2,531,709	158	91
Federal sources	209,707	-	-
Total revenues	4,493,640	201,362	116,680
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,520,168	86,765	-
Special instruction	639,566	-	-
Other instruction	519,327	-	-
	2,679,061	86,765	-
Support services:			
Student services	129,768	11,772	-
Instructional staff services	114,545	-	-
Administration services	488,189	24,896	-
Operation and maintenance of plant services	318,202	25,400	-
Transportation services	242,827	20,898	-
	1,293,531	82,966	-
Non-instructional programs	-	6,947	-
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	165,000
Interest and fiscal charges	-	-	59,553
AEA flowthrough	175,232	-	-
	175,232	-	224,553
Total expenditures	4,147,824	176,678	224,553
Excess (deficiency) of revenues over (under) expenditures	345,816	24,684	(107,873)
Other financing sources (uses):			
Operating transfers in (out)	-	-	108,000
Sale of equipment	5,850	-	-
Total other financing sources (uses)	5,850	-	108,000
Net change in fund balances	351,666	24,684	127
Fund balances beginning of year	1,167,004	(20,158)	32,222
Fund balances end of year	\$ 1,518,670	4,526	32,349

See notes to financial statements.

Exhibit E

Capital Projects	Nonmajor Special Revenue	Total
193,160	127,384	2,096,295
-	-	260,314
3,243	227,581	264,776
-	70	2,532,028
-	-	209,707
196,403	355,035	5,363,120
-	-	1,606,933
-	-	639,566
-	223,721	743,048
-	223,721	2,989,547
-	-	141,540
-	-	114,545
-	-	513,085
-	-	343,602
-	-	263,725
-	-	1,376,497
-	-	6,947
-	230,877	230,877
-	-	165,000
-	-	59,553
-	-	175,232
-	230,877	630,662
-	454,598	5,003,653
196,403	(99,563)	359,467
(108,000)	-	-
-	-	5,850
(108,000)	-	5,850
88,403	(99,563)	365,317
152,405	211,412	1,542,885
240,808	111,849	1,908,202

CORNING COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) **\$ 365,317**

***Amounts reported for governmental activities in the
 statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 381,597	
Depreciation expense	<u>(190,835)</u>	190,762

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

165,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,395

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>99,193</u>
------------------	--	---------------

Change in net assets of governmental activities (Exhibit B)

\$ 821,667

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 39,075
Inventories	2,026
Capital assets, net of accumulated depreciation	<u>50,468</u>
Total assets	<u>91,569</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net Assets	
Invested in capital assets, net of related debt	50,468
Unrestricted	<u>41,101</u>
Total net assets	<u><u>\$ 91,569</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 78,263</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	74,762
Benefits	19,598
Purchased services	402
Supplies	84,655
Depreciation	6,568
Total operating expenses	<u>185,985</u>
Operating loss	<u>(107,722)</u>
Non-operating revenues:	
State sources	3,143
Federal sources	98,961
Local sources	53
Total non-operating revenues	<u>102,157</u>
Changes in net assets	(5,565)
Net assets beginning of year	<u>97,134</u>
Net assets end of year	<u><u>\$ 91,569</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 78,263
Cash payments to employees for services	(94,360)
Cash payments to suppliers for goods or services	(73,646)
Net cash used by operating activities	(89,743)
Cash flows from non-capital financing activities:	
State grants received	3,143
Federal grants received	86,733
Net cash provided by non-capital financing activities	89,876
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(22,638)
Cash flows from investing activities:	
Interest on investments	53
Net decrease in cash and cash equivalents	(22,452)
Cash and cash equivalents at beginning of year	61,527
Cash and cash equivalents at end of year	\$ 39,075
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (107,722)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	12,228
Depreciation	6,568
(Increase) in inventories	(817)
Net cash used by operating activities	\$ (89,743)
Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	\$ 39,075
Cash and cash equivalents at year end	\$ 39,075

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$12,228.

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 83,463	3,765
Accrued interest receivable	50	-
Total assets	83,513	3,765
Liabilities		
Accounts payable	-	3,765
Total liabilities	-	3,765
Net assets		
Reserved for scholarships	\$ 83,513	-

See notes to financial statements.

Exhibit K

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 29,200
Interest income	3,476
Total additions	<u>32,676</u>
Deductions:	
Support services:	
Scholarships awarded	<u>18,871</u>
Change in net assets	13,805
Net assets beginning of year	<u>69,708</u>
Net assets end of year	<u><u>\$ 83,513</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS - COMPONENT UNITS
June 30, 2005

	<u>Corning Sports Boosters</u>
Assets	
Cash and pooled investments	<u>\$ 61,534</u>
Total assets	<u>61,534</u>
Net assets	
Unrestricted	<u>61,534</u>
Total net assets	<u><u>\$ 61,534</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - COMPONENT UNITS
June 30, 2005

	<u>Corning Sports Boosters</u>
Operating revenues:	
Contributions	\$ 4,565
Membership dues	2,973
Fundraising	<u>31,406</u>
Total operating revenues	<u>38,944</u>
Operating expenses:	
Program expenses	17,374
Management and general expenses	5,146
Fund raising expenses	<u>12,966</u>
Total operating expenses	<u>35,486</u>
Operating income	<u>3,458</u>
Non-operating revenues:	
Interest income	<u>414</u>
Net non-operating revenues	<u>414</u>
Changes in net assets	3,872
Net assets beginning of year	<u>57,662</u>
Net assets end of year	<u><u>\$ 61,534</u></u>

See notes to financial statements.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(1) Summary of Significant Accounting Policies

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

These financial statements present Corning Community School District (the primary government) and its component units. The components units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Discrete Component Units

Corning Sports Boosters is a legally separate not-for-profit entity. Corning Sports Boosters was established for the purpose of providing additional athletic opportunities and facilities for the students of Corning Community School District. Although the District does not control the timing or amount of receipts from Corning Sports Boosters, the majority of the resources that are held are used for the benefit of Corning Community School District.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organization and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the support services functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

Diversified Portfolio	\$2,081,592
Direct Government Obligations Portfolio	-
Total	<u>\$2,081,592</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

The District investment in Wisconsin Electric Company common stock and Verizon Corporation common stocks relates to a gift of the stocks as a scholarship investment. Terms of the gift require the school to hold the stock permanently and the dividends received are to be used for the Effie Akin Award. The fair market values of these investments at June 30, 2005 were \$11,730 and \$4,415 respectively.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS June 30, 2005

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 153,489	51,200	-	204,689
Total capital assets not being depreciated	153,489	51,200	-	204,689
Capital assets being depreciated:				
Buildings	3,991,611	-	-	3,991,611
Improvements other than buildings	442,628	179,053	-	621,681
Furniture and equipment	1,557,990	151,344	-	1,709,334
Total capital assets being depreciated	5,992,229	330,397	-	6,322,626
Less accumulated depreciation for:				
Buildings	1,494,701	73,173	-	1,567,874
Improvements other than buildings	382,361	17,910	-	400,271
Furniture and equipment	1,229,314	99,752	-	1,329,066
Total accumulated depreciation	3,106,376	190,835	-	3,297,211
Total capital assets being depreciated, net	2,885,853	139,562	-	3,025,415
Governmental activities capital assets, net	\$ 3,039,342	190,762	-	3,230,104
Business type activities:				
Furniture and equipment	\$ 85,494	22,638		108,132
Less accumulated depreciation	51,096	6,568		57,664
Business type activities capital assets, net	\$ 34,398	16,070	-	50,468

Depreciation expense was charged to the following functions:

Governmental activities:			
Instruction:			
Regular		\$	95,588
Special			8,684
Other			11,708
Support services:			
Student			388
Instructional staff			13,469
Administration			8,878
Operation and maintenance			3,030
Transportation			49,090
Total depreciation expense - governmental activities		\$	190,835
Business type activities:			
Food service operations		\$	6,568

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

(4) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,140,000	-	165,000	975,000	175,000
Early retirement	369,109	88,827	196,354	261,582	88,827
	<u>\$ 1,509,109</u>	<u>88,827</u>	<u>361,354</u>	<u>1,236,582</u>	<u>263,827</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2005, totaled \$97,161.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Bond Issue of February 28, 2000				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2006	5.25%	\$ 175,000	50,890	225,890
2007	5.25%	185,000	41,702	226,702
2008	5.15%	195,000	31,990	226,990
2009	5.20%	205,000	21,947	226,947
2010	5.25%	215,000	11,288	226,288
Total		<u>\$ 975,000</u>	<u>157,817</u>	<u>1,132,817</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003, were \$145,993, \$153,151, and \$151,053, respectively, equal to the required contributions for each year.

CORNING COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

(6) Risk Management

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,232 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$108,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Restatements

Changes in the reporting of the discretely presented component units include the deletion of the Corning Music Boosters and the Corning PTA. This change decreases the total beginning net assets of the component units by \$9,890.

Required Supplementary Information

CORNING COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 2,621,385	78,316
State sources	2,532,028	3,143
Federal sources	209,707	98,961
Total revenues	<u>5,363,120</u>	<u>180,420</u>
Expenditures:		
Instruction	2,989,547	-
Support services	1,376,497	-
Non-instructional programs	6,947	185,985
Other expenditures	630,662	-
Total expenditures	<u>5,003,653</u>	<u>185,985</u>
Excess (deficiency) of revenues over (under) expenditures	359,467	(5,565)
Other financing sources	<u>5,850</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	365,317	(5,565)
Balances beginning of year	<u>1,542,885</u>	<u>97,134</u>
Balances end of year	<u><u>\$ 1,908,202</u></u>	<u><u>91,569</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts	Variance Favorable (Unfavorable)
2,699,701	2,724,411	(24,710)
2,535,171	2,642,754	(107,583)
308,668	436,000	(127,332)
5,543,540	5,803,165	(259,625)

2,989,547	4,180,329	1,190,782
1,376,497	1,368,028	(8,469)
192,932	276,702	83,770
630,662	994,135	363,473
5,189,638	6,819,194	1,629,556

353,902	(1,016,029)
5,850	2,900

359,752	(1,013,129)
1,640,019	1,504,048
1,999,771	490,919

CORNING COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, disbursements in the support services function exceeded the amount budgeted.

Other Supplementary Information

CORNING COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2005

	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 67,432	145,050	212,482
Receivables:			
Property tax:			
Current year delinquent	-	2,112	2,112
Succeeding year	-	128,030	128,030
Accrued interest	8	90	98
Total assets	\$ 67,440	275,282	342,722
Liabilities and Fund Equity			
Liabilities:			
Excess of outstanding warrants over bank balance	\$ -	101,883	101,883
Accounts payable	262	698	960
Deferred revenue:			
Succeeding year property tax	-	128,030	128,030
Total liabilities	262	230,611	230,873
Fund equity:			
Fund balances:			
Unreserved, undesignated fund balance	67,178	44,671	111,849
Total liabilities and fund equity	\$ 67,440	275,282	342,722

See accompanying independent auditor's report.

Schedule 2

CORNING COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	127,384	127,384
Other	226,167	1,414	227,581
State sources	-	70	70
Total revenues	226,167	128,868	355,035
Expenditures:			
Current			
Instruction:			
Other instruction	223,721	-	223,721
Other expenditures:			
Facilities acquisition	-	230,877	230,877
Total expenditures	223,721	230,877	454,598
Excess of revenues over expenditures	2,446	(102,009)	(99,563)
Fund balance beginning of year	64,732	146,680	211,412
Fund balance end of year	\$ 67,178	44,671	111,849

See accompanying independent auditor's report.

Schedule 3

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year ended June 30, 2005

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
High School Drama/Musical	\$ 2,145	3,213	3,883	1,475
Vocal Music	607	3,264	3,871	-
Junior/Senior High Band	-	502	502	-
K-6 Band	-	921	921	-
Tournament Account	1,765	1,742	2,394	1,113
Athletics-General	10,293	26,237	34,513	2,017
Cross Country	-	1,665	1,665	-
Tennis	-	712	389	323
Golf	-	1,576	1,576	-
Boys Basketball	-	6,786	6,160	626
Football	-	10,106	8,541	1,565
Baseball	(987)	6,435	4,457	991
Boys Track	-	5,424	5,399	25
Wrestling	-	3,119	2,977	142
John Harris Tourney	7,667	10,351	12,613	5,405
Girls Basketball	-	5,853	3,092	2,761
Volleyball	-	4,136	3,919	217
Softball	42	5,418	4,726	734
Girls Track	-	4,898	4,873	25
Art	377	-	-	377
High School Book Fair	1,019	-	-	1,019
K-6 Book Fair	5,499	5,161	4,206	6,454
Cheerleaders	(212)	2,487	1,745	530
FFA	6,334	14,249	16,187	4,396
FHA	21	2,737	2,704	54
Junior High Greenhouse	179	-	-	179
Industrial Arts	469	906	16	1,359
Math Club	40	-	9	31
Peer Helping	118	-	-	118
K-6 Special Needs	935	145	326	754
Foreign Language Club	20	960	960	20
TAG	31	-	-	31
Concessions	-	21,647	18,330	3,317
Class of 2004	2,101	2,409	1,740	2,770
Class of 2005	2,015	6,638	7,046	1,607
Class of 2006	112	3,940	4,052	-
Junior High Student Council	542	1,023	673	892
Student Senate	100	1,717	1,096	721
Junior High Teacher's Lounge	75	884	960	(1)
Touch	79	300	-	379
VoAg	493	88	-	581
Y-Teens	373	3,222	2,998	597
Yearbook	243	9,019	4,353	4,909
Activity Tickets	-	7,260	7,095	165
Interest on investments	5,102	315	3,700	1,717
School Pictures	560	604	-	1,164
High School Pop Fund	1,514	4,201	4,575	1,140
Wells Tech	71	101	27	145

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 Year ended June 30, 2005

Account	Balance Beginning Of Year	Revenues	Expenditures	Balance End of Year
K-6 Student Council	295	175	175	295
Previous Senior CI Monies	1,215	-	1,215	-
High School Communiters	516	1,504	1,574	446
Morris DC Trip	-	18,978	18,249	729
Corning Cruisers	75	-	-	75
Library	1,160	196	-	1,356
FCA	-	179	179	-
Ryan Science	-	317	317	-
High School Horticulture	3,678	2,958	982	5,654
K-6 Box Top	1,922	1,526	2,827	621
3rd Grade Landscape	1,179	-	-	1,179
Alumni Newsletter	4,403	4,205	4,948	3,660
Adult Ed-Guidance	-	577	570	7
Special Projects	125	652	777	-
Sports Sound System	-	2,325	2,325	-
K-6 Teacher's Lounge	422	204	314	312
Total	<u>\$ 64,732</u>	<u>226,167</u>	<u>223,721</u>	<u>67,178</u>

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 2,583	39,411	38,229	3,765
Receivables: Accounts	-	-	-	-
Total assets	\$ 2,583	39,411	38,229	3,765
Liabilities				
Accounts payable	\$ 2,583	39,411	38,229	3,765
Total liabilities	\$ 2,583	39,411	38,229	3,765

See accompanying independent auditor's report.

CORNING COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,096,295	1,965,807	1,818,126	1,665,347
Tuition	260,314	231,150	196,299	179,302
Other	264,776	182,383	205,293	191,802
State sources	2,532,028	2,573,835	2,507,573	2,476,944
Federal sources	209,707	322,577	313,096	168,733
Total	<u>\$ 5,363,120</u>	<u>5,275,752</u>	<u>5,040,387</u>	<u>4,682,128</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,606,933	1,733,517	1,900,787	1,898,104
Special instruction	639,566	811,822	861,851	731,738
Other instruction	743,048	487,984	332,406	275,107
Support services:				
Student services	141,540	234,329	128,292	148,916
Instructional staff services	114,545	31,178	67,828	72,930
Administration services	513,085	477,168	500,588	454,355
Operation and maintenance of plant services	343,602	331,511	328,200	323,207
Transportation services	263,725	228,499	255,123	266,080
Community service operations	-	-	-	5,375
Food service operations	6,947	12,393	12,393	11,931
Non-instructional programs				
Other expenditures:				
Facilities acquisition	230,877	100,177	150,873	149,296
Long-term debt:				
Principal	165,000	155,000	150,000	145,000
Interest and other charges	59,553	67,690	75,085	81,685
AEA flowthrough	175,232	179,413	185,506	185,958
Total	<u>\$ 5,003,653</u>	<u>4,850,681</u>	<u>4,948,932</u>	<u>4,749,682</u>

See notes to financial statements.

Corning Community School District

**Van Maanen
& ASSOCIATES, P.C.**

Certified Public Accountants

705 Main St.
Pella, IA 50219
641-628-3737

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Corning Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corning Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Corning Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Van Maanen & Associates, P.C.
Certified Public Accountants

September 7, 2005

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE

No matters were noted.

REPORTABLE CONDITIONS

- II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were done by the same person.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable since less than \$500,000 in federal awards.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation - Official depository limits should be increased in order to avoid exceeding the limits in the future.

Response - We will look into increasing the official depository limits.

Conclusion - Response accepted.

CORNING COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED June 30, 2005

- IV-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the support services function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa Before disbursements were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

- IV-C-05 Questionable Disbursements - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-E-05 Business Transactions - No business transactions were noted between the District and District officials or employees.

- IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

- IV-G-05 Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.

- IV-H-05 Certified Enrollment - No variances were noted in the basic enrollment data certified to the Department of Education.

- IV-I-05 Deposits and Investments - No instances of noncompliance were noted with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy.

It was noted that the District has investments in Wisconsin Electric Co. and Verizon common stock, investments not in compliance with the District's investment policy. However, it was also noted that the terms of the gifts in 1983 and 1996 require that the stock be permanently held by the District and that only the dividends are available for disbursement for the Effie Akin Award. Therefore, the investments are maintained in compliance with the terms of the gifts.

- IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.